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## BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

Arizona Corporation Commission

DOCKETED

JAN 26 2010

DOCKETED BY

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IN THE MATTER OF TRICO ELECTRIC  
COOPERATIVE, INC.'S APPLICATION  
FOR APPROVAL OF A NET METERING  
TARIFF.

DOCKET NO. E-01461A-09-0450

DECISION NO. 71462ORDER

Open Meeting  
January 12 and 13, 2010  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Trico Electric Cooperative, Inc. ("Trico" or "Co-op") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On September 18, 2009, Trico filed an application for approval of a Net Metering Tariff, Schedule NM. Commission Decision No. 70567 (October 23, 2008), approved Proposed Rulemaking Regarding Net Metering ("Rules"). The Rules, after certification by the Arizona Attorney General, became effective on May 23, 2009 and require each electric utility to file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of the Rules.

3. Net Metering allows electric utility consumers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power (i.e., co-generation).

1 **Proposed Tariff**

2           4.       Trico's proposed Schedule NM would apply to customers with any type of on-site  
3 generation using resources allowed by the Net Metering Rules, and would work in conjunction  
4 with the rate schedule from which the customer currently takes service. The proposed Schedule  
5 NM follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of  
6 excess customer generation.

7           5.       Schedule NM would provide for power sales beyond what the customer's on-site  
8 facilities supply, as well as replacement power if the on-site generation is out of service for  
9 maintenance or due to a forced outage. Charges under the tariff would be priced pursuant to the  
10 customer's standard rate schedule otherwise applicable for full requirements service. This would  
11 avoid additional charges such as standby or back-up charges.

12           6.       In addition, as the Rules require, if the customer's generation facility's energy  
13 production exceeds the energy supplied to the customer by the Co-op during a billing period, the  
14 customer's bills for subsequent billing periods would be credited for the excess generation. That  
15 is, the excess kWh during the billing period would be used to reduce the kWh (not kW or kVA  
16 demand, or customer/facilities charges) billed by the Co-op during the subsequent billing periods.  
17 Customers taking service under a time-of-use rate would receive such credit in the subsequent  
18 billing periods for the on-peak, shoulder, or off-peak periods in which the kWh were generated by  
19 the Customer.

20           7.       The Co-op would install a bi-directional meter at the point of delivery to the  
21 customer. The incremental cost of the additional metering would be the responsibility of the  
22 customer as an up-front payment. Staff has recommended that customers not be charged these up-  
23 front costs because the Co-op has not specified the amount of the metering charge nor supplied  
24 support as required by the Rules at R14-2-2305(A).

25           8.       Trico proposes an administrative charge in its net metering tariff of \$4.38 per month  
26 in addition to the charges under the standard rate schedule. This charge is meant to recover costs  
27 associated with the additional data collection each month.

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1           9.       To support the additional administrative charge, Trico has stated that the cost for  
2 interval data retrieval is \$5.00 per month and corresponds to the phone company charge that Trico  
3 receives to download the monthly 30-minute interval data from each meter. A \$1 charge for  
4 interval data reduction/storage provides a representative portion of the cost for Trico to store,  
5 check and reduce the data to monthly total values for transfer to the Trico billing software. This  
6 totals \$6 and is reduced by \$1.62 which is the meter reading cost included in Trico's standard rate  
7 tariffs. Trico has not sufficiently supported the \$1.00 estimate for data storage, and Staff  
8 recommends excluding this cost. The result is an incremental additional monthly meter reading  
9 cost for the net metering customer of \$3.38 (\$5.00 - \$1.62).

10           10.       Once each year, or for a customer's final bill upon discontinuance of service, Trico  
11 would credit the customer for the balance of excess kWh remaining. Trico defines the calendar  
12 year as 12 months ending April 30. Therefore, Trico would pay the customers for excess kWh  
13 after April. Staff has recommended that the date of this annual true-up be in October (September  
14 usage).

15           11.       The payment for the purchase of these excess kWh would be at the Co-op's  
16 applicable avoided cost. The annual average avoided cost as defined in the Trico Net Metering  
17 Tariff is the average annual wholesale energy costs charged by the cooperative's wholesale power  
18 supplier, Arizona Electric Power Cooperative, Inc. ("AEPCO"). This reflects the incremental cost  
19 to the cooperative that Trico would pay AEPCO for energy, but for the purchase from the Net  
20 Metering Facility.

21           12.       The AEPCO energy price is set by a Commission-approved base rate plus a fuel  
22 and purchase power cost adjustor ("FPPCA"), which AEPCO modifies with a semi-annual filing  
23 required by the Commission that results in new FPPCA rates each April 1 and October 1. The  
24 AEPCO actual energy rates charged to Trico for the period of May 2008 through April 2009,  
25 which Trico would use for the purpose of determining the billing credit for the balance of any  
26 excess at the end of the annual period, is an annual average avoided cost of 4.205 ¢/kWh. Since  
27 R14-2-2306(F) requires the avoided cost to be specified on the net metering tariff, Staff has  
28 recommended that Trico specify this avoided cost rate of 4.205 ¢/kWh in its tariff.

**Comments of Other Parties**

13. Several Trico customers have filed comments in this docket. A common theme is that they disagree with the proposed annual true-up date in April. They prefer a true-up date in the fall so that excess kWh generated in the winter and spring would be available to apply to bills when their demand is highest in the summer. Staff is aware that customer loads vary with the season. Staff also recognizes that the annual true-up date should not be different for each customer. Because of the similarities between the service territories of Trico and Tucson Electric Power ("TEP"), Staff has recommended that the annual true-up date be set to that approved for TEP. TEP's net metering tariff states:

Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill, the Company would credit the Customer for the balance of excess kWhs remaining.

**Fair Value Considerations for Charges to be contained in Schedule NM**

14. Staff has recommended that the Co-op should recover from each net metering customer the costs of certain equipment related to providing net metering service.

15. Staff has considered the proposed equipment charge in terms of fair value implications. In Decision No. 71230, issued on August 6, 2009, the Commission determined the fair value of Trico's property to be \$140,628,110. Although Staff considered this information, the proposed equipment charge on Schedule NM would have no significant impact on the Company's revenue, fair value rate base, or rate of return, because this charge is cost-based and relatively limited in scope.

**Staff Recommendations**

16. Staff has recommended that Trico's Net Metering Tariff Schedule NM be approved by the Commission as discussed herein.

17. Staff has also recommended that Trico be ordered to file a revised Net Metering Tariff Schedule NM in compliance with the Decision in this case within 15 days of the effective date of the Decision.

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CONCLUSIONS OF LAW

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2           1.       Trico is an Arizona public service corporation within the meaning of Article XV,  
3 Section 2, of the Arizona Constitution.

4           2.       The Commission has jurisdiction over Trico and over the subject matter of the  
5 application.

6           3.       Approval of Schedule NM does not constitute a rate increase as contemplated by  
7 A.R.S. Section 40-250.

8           4.       The Commission, having reviewed the application and Staff's Memorandum dated  
9 January 5, 2010, concludes that Schedule NM should be approved as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that Trico Electric Cooperative's Net Metering Tariff Schedule NM be approved by the Commission as discussed herein.

IT IS FURTHER ORDERED that Trico shall file a revised Net Metering Tariff Schedule NM in compliance with this Decision within 15 days of the effective date of the Decision.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

  
CHAIRMAN

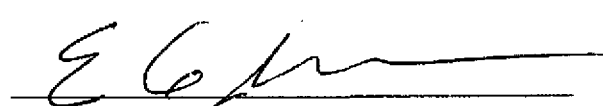
  
COMMISSIONER

  
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COMMISSIONER

IN WITNESS WHEREOF, I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 26<sup>th</sup> day of JANUARY, 2010.

  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:JJP:red/MAS

1 SERVICE LIST FOR TRICO ELECTRIC COOPERATIVE, INC.:  
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